

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ NIACT IMMEDIATE

C O N F I D E N T I A L STATE 179024

EXDIS

E.O. 11652: GDS

TAGS: EFIN, BL

SUBJECT: US 225 MILLION DOL LOAN

REF: STATE 177849

1. IMF INFORMED US THIS AFTERNOON THAT THEY ARE CABLING
IMF REP. LA PAZ TO SEEK URGENT MEETING DIRECTLY WITH
PRESIDENT BANZER. FUND REP WILL BE INSTRUCTED TO TELL
PRESIDENT THAT IMF HAS SERIOUS RESERVATIONS ABOUT PRIVATE
LOAN TRANSACTIONS, BECAUSE: (A) TERMS OF AGREEMENT ARE
SO INCONSISTENT WITH REALITIES OF WORLD MONEY MARKET THAT
THERE IS GREAT LIKELIHOOD THAT FUNDS WOULD NEVER MATERIAL-
IZE, AND (B) IMF HAS "DISTURBING" INFORMATION ON SEVERAL OF
THE INDIVIDUALS INVOLVED IN AGREEMENTS - SPECIFICALLY EDWARDS,
GORDON AND WINTERS, AND IF THE GOB WISHES CORROBORATION ON
THE LATTER POINT, INTERPOL CAN PROVIDE IT. APPROACH IS TO
BE MADE WITH GREAT DISCRETION AS FUND DOES NOT HAVE
SUFFICIENT INFORMATION ALL LINKAGES TO RISK CONFRONTATION
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WITH EDWARDS.

2. FYI. FUND IS NOT GIVING ITS REP AS COMPLETE INFORMATION AS PROVIDED REFTTEL BUT HE WILL BE INFORMED US EMBASSY ALSO HAS SOME INFORMATION ON THE SUBJECT. IMF CHOSE TO GO DIRECTLY TO BANZER AFTER REPEATED ATTEMPTS WITH MINISTER OF FINANCE TO ENCOURAGE HIM TO RE-EXAMINE DEAL. IMF APPARENTLY HAS GIVEN BEDREGAL UP AS "LOST CAUSE" AND BELIEVES EDWARDS HAS DONE THOROUGH JOB CONVINCING ALL AND SUNDRY OF HIS BONA FIDES. AS EXAMPLE, THEY HAVE INFORMATION THAT GOB HAS NAMED EDWARDS HONORARY CONSUL IN AUSTRALIA.

3. IMF ALSO HAS INFORMATION THAT EDWARDS PLANS TO ARRIVE IN LA PAZ TOMORROW TO BEGIN ACTUAL TRANSACTION AND PERHAPS TO GET ADVANCE ON COMMISSION OR FIRST TRANCHE OF PROMISORY NOTES.

4. IBRD HAS INFORMED DEPT THAT IT HAS CABLED MINFIN, MINENERGY AND CENTRAL BANK NOTING THAT IT UNDERSTANDS GOB HAS RECENTLY CONTRACTED PRIVATE CREDITS WHICH MAY EFFECT GOB'S DEBT SERVICE OUTLOOK. ACCORDINGLY, IBRD ASKED GOB TO PROVIDE DETAILED INFORMATION THESE CREDITS SO THEY MAY BE TAKEN INTO ACCOUNT IN REVIEWING PROPOSED ENDE LOAN FOR SANTA CRUZ. ACCORDING TO OUR IBRD SOURCE, BANK WILL REVIEW ENDE LOAN AT REGULAR SEPT 11 BOARD MEETING, THOUGH APPROVAL MAY BE DEFERRED DUE LACK OF INFORMATION ON GOB CREDIT STANDING. END FYI. RUSH

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